

REBUTTAL TESTIMONY OF

FELICIA D. HOWARD

ON BEHALF OF

SOUTH CAROLINA ELECTRIC & GAS COMPANY

DOCKET NO. 2009-261-E

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

A. My name is Felicia D. Howard and my business address is 220 Operation Way, Cayce, South Carolina. I am Director of Demand Side Management of South Carolina Electric & Gas Company (“SCE&G” or the “Company”).

Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING?

A. I have.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my testimony is to respond to certain matters raised in the testimony of ORS Witness Gunn, SCCCL/SELC Witnesses Steinhurst and Lyle, and SCEUC Witness O'Donnell.

1 **Q. THE SCCCL/SELC WITNESSES MR. LYLE AND DR.**
2 **STEINHURST ARGUE THAT THE COMMISSION SHOULD**
3 **ORDER SCE&G TO PROPOSE SPECIFIC PACKAGES OF**
4 **PROGRAMS FOR SPECIFIC CUSTOMER GROUPS. HOW DO**
5 **YOU RESPOND?**

6 A. At various places in their testimony, Mr. Lyle and Dr. Steinhurst
7 mention groups or market segments like data centers, grocery stores, low-
8 income customers, renters and landlords, ground floor restaurants,
9 apartments over restaurants, governmental entities, and agricultural
10 customers and advise that SCE&G is missing important opportunities by not
11 addressing these market segments. ORS Witness Mr. Gunn makes a similar
12 point regarding the small business sector of the commercial market.

13 Mr. Lyle and Dr. Steinhurst seem to misunderstand what is being
14 presented to the Commission in this proceeding. They seem to assume that
15 SCE&G will not engage in packaging and marketing programs for
16 particular market segments unless that packaging and marketing is
17 specifically delineated in the application in this proceeding. That is not the
18 case. In its filing, SCE&G has proposed a set of specific, substantive DSM
19 programs that cut across multiple customer groups and market segments.
20 SCE&G is asking the Commission to review and approve these programs
21 and to approve the overall level of DSM spending envisioned at this time.
22 The purpose of this proceeding, as we understand it, is to present the

1 Commission with information regarding the overall scope of the DSM
2 programs that SCE&G intends to roll out and the measures and incentives it
3 intends to offer initially.

4 The process of creating marketing plans for the approved DSM
5 programs is another matter altogether. It involves identifying market
6 segments, and identifying specific communication and delivery channels to
7 reach those segments. It does not seem logical to us to design a marketing
8 plan before we know what programs and measures we will be marketing.

9 In addition, the packaging and marketing of programs is a fluid and
10 dynamic process. To be effective, packaging and marketing must be
11 continually fine-tuned and adjusted based on market response and market
12 data. Marketing plans also go stale very quickly as market and economic
13 conditions change. In effect, it appears that the intervenors are asking the
14 Commission to consider and approve hypothetical DSM marketing plans in
15 addition to the programs themselves. Embedding marketing plans in the
16 DSM program approval process is inconsistent with the flexibility and
17 responsiveness required to effectively design and implement such plans.
18 From a regulatory standpoint, it is best to assess the value of marketing
19 plans with concrete information generated after they are fully designed and
20 tested against the market.

21

1 **Q. HOW DO YOU RESPOND TO THE SUGGESTION THAT SCE&G**
2 **SHOULD BE REQUIRED TO RECEIVE COMMISSION**
3 **APPROVAL FOR ALL REVISIONS TO ITS PROGRAMS**
4 **BETWEEN ANNUAL REPORT PROCEEDINGS?**

5 A. As stated in my direct testimony, the Company believes that
6 flexibility in implementing its DSM program is of great importance,
7 particularly in the initial stages of the implementation of these expanded
8 DSM offerings. The proposal made here would deny to SCE&G the
9 authority to discontinue or alter programs quickly where experience shows
10 that they are not generating customer interest, that they are not producing
11 sufficient savings, or that the incentives to participants have been set either
12 too high or too low. Denying SCE&G the requested flexibility can only
13 lead to inefficiency and additional cost without compensating benefits to
14 customers. SCE&G would respectfully request that the Commission give it
15 authority to manage its programs in a timely and effective way between
16 annual DSM reports with the understanding that the annual DSM reporting
17 process will be the means whereby the ORS and the Commission will
18 provide regulatory oversight for the decisions made.

19

1 **Q. HOW DO YOU RESPOND TO MR. GUNN’S DESCRIPTION OF**
2 **THE CONTENTS OF ANNUAL REPORTS?**

3 A. The points Mr. Gunn lists as items to be included in annual reports
4 seem generally reasonable. With these points in mind, SCE&G would
5 propose to work with ORS to design the initial report and then to update the
6 report as conditions warrant. ORS will have on-going responsibility for
7 auditing and reviewing SCE&G’s DSM programs and SCE&G is
8 committed to work with ORS to provide annual reporting that supports its
9 oversight function, both now and as the oversight and audit process evolves
10 over the coming years. We would ask the Commission to adopt Mr.
11 Gunn’s proposal as a frame of reference for the design of the DSM
12 reporting but not as a set of fixed regulatory requirements which would
13 require an amendment to the order in this proceeding each time an aspect of
14 the report needs to change.

15

16 **Q. HOW DOES THE COMPANY RESPOND TO MR. GUNN’S**
17 **RECOMMENDATION ON PAGE 11 OF HIS TESTIMONY THAT**
18 **THE COMPANY SHOULD BE REQUIRED TO FILE A FUTURE**
19 **PROGRAM PLAN EVERY THREE YEARS?**

20 A. Mr. Gunn recommends that SCE&G be required to file a future
21 program plan which summarizes the programs the Company is considering

1 introducing for the next three years. Pursuant to Section 58-37-40 of the
2 South Carolina Code of Laws, the Company is required to submit an
3 Integrated Resource Plan (“IRP”) every three years and update its plan on
4 an annual basis. This IRP includes projections of DSM capacity and
5 energy savings as well as descriptions of the DSM programs offered by the
6 Company. Therefore, SCE&G believes that its IRP plan, along with the
7 required annual DSM updates should reasonably provide the information
8 sought by Mr. Gunn.

9 **Q. HOW DO YOU RESPOND TO THE SUGGESTION THAT**
10 **MONITORING AND VERIFICATION (“M&V”) SHOULD BE**
11 **EXCLUSIVELY A MATTER FOR OUTSIDE CONSULTANTS?**

12 A. SCE&G has a direct interest in accurate M&V analysis. Accurate
13 M&V information will be required to determine which programs need to be
14 expanded, modified or curtailed, and to ensure that benefits to the system
15 and to customers are fully verified. The Company has no interest in
16 continuing to provide DSM programs that are not performing well, or to
17 fail to expand programs that show greater benefit than anticipated.

18 SCE&G, along with Duke Power, Progress Energy and Santee
19 Cooper, used an outside consultant to prepare the South Carolina Measures
20 Database. SCE&G would anticipate that it would monitor and validate its
21 DSM programs, in part, by updating the data in this database to show the
22 actual results of its programs. SCE&G anticipates that some of its M&V

1 activities could be conducted by outside consultants particularly where they
2 have the experience and economies of scale to do so more efficiently than
3 SCE&G can do so internally. But SCE&G also has significant load
4 research and analytical capabilities which it uses routinely in compiling
5 data for setting rates and making investment decisions related to new
6 capacity and other infrastructure. The Company's goal in its DSM program
7 is to provide maximum DSM benefit for each dollar spent on DSM
8 activities. To the extent that the Company can accomplish M&V work
9 internally at a lower cost than an outside consulting firm would charge, the
10 Company would request that the Commission allow it to do so.

11 In addition, contrary to suggestions by the intervenors, the Company
12 does not believe that it is appropriate to design M&V programs at this early
13 stage in the process before the DSM programs have been finally approved.
14 Effective M&V programs will be an integral part of SCE&G's DSM effort.
15 We have included a 5% cost component for M&V in our program budgets
16 for each DSM measure which we believe will provide sufficient funding for
17 a fully effective M&V program. The specific design of such a program,
18 however, should follow approval of the programs to be evaluated.

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20

1 **Q. HOW DO YOU RESPOND TO THE SUGGESTION THAT THE**
2 **COMMISSION SHOULD REQUIRE SCE&G TO ESTABLISH A**
3 **SPECIFIC STAKEHOLDER ADVISORY COMMITTEE TO**
4 **REVIEW DSM ACTIVITIES?**

5 A. As my earlier testimony shows, SCE&G has sought out extensive
6 public input in designing its DSM programs and will continue to do so as
7 circumstances warrant. However, as the utility company charged with
8 managing all aspects of its business prudently and efficiently, SCE&G must
9 be able to determine which suggestions from the public it will accept for
10 implementation and which it will reject. In light of the Company's
11 responsibility and accountability for managing its business, the Company
12 does not support a regulatory mandated stakeholder advisory process
13 related to DSM. Oversight and supervision of the Company's DSM
14 decisions are vested by statute in the Commission and ORS, and SCE&G
15 believes that this is where they should remain. This is consistent with the
16 policies adopted by this Commission with reference to other utilities. See
17 Order 2009-373, p. 21.

18

1 **CONCLUSION**

2 **Q. IN SUMMARY, WHAT ARE YOU ASKING THIS COMMISSION**
3 **TO DO?**

4 A. On behalf of SCE&G, I would ask that the Commission issue an
5 order:

- 6 1. Approving the nine DSM programs proposed by the Company for
7 implementation;
- 8 2. Approving the cost recovery rider as set forth in the petition to this
9 matter;
- 10 3. Adopting the requirement for annual DSM reporting with flexibility for
11 the Company in consultation with ORS to design and amend the reports
12 as condition warrant, subject to on-going reporting and Commission
13 oversight;
- 14 4. Affirming the Company's right to make changes and amendments to its
15 DSM programs and their terms; and
- 16 5. Affirming the right of the Company to use third party or internal
17 resources for M&V evaluations

18 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

19 A. Yes, it does.